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HOW THEY CLOSED

TSE	9020.04	−49.34
CDNX	2871.01	−8.72
DOW	10,434.96	−240.03
NASDAQ	2653.27	−75.24
GOLD (N.Y.)	$270.40	+$1.40
DOLLAR	65.77	−0.16
PRIME RATE	7.50	UNCH

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BUSINESS EDITOR: DAVID YATES (514) 987-2512
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Ex-boss pays back Jitec

Company cleans house, appointing new CEO, slate of directors

SARAH DOUGHERTY
The Gazette

After a series of scandals, officials at **Jitec Inc.** have cleaned house, appointing a new slate of directors and chief executive.

The Nuns' Island high-tech company has been trying to wade its way out of controversy after revelations that founder and former president Benoit Laliberté diverted funds without permission and improperly traded in the company's stock.

Alex Delisle, a former executive with **Hewlett Packard (Canada) Inc.** in Quebec has been appointed president and chief executive officer, Jitec announced yesterday.

Delisle will also serve on the board of directors, along with three new members. Four former directors, Paul Massicotte, Eric Bonneville, René Brachaud and René Arbic tendered their resignations. "We all agreed that following events of the recent months Jitec needed an important change in top management," Massicotte said in a written statement.

Jitec also announced yesterday that Laliberté had paid back $865,000 to the company as requested by the board. The money represented transactions conducted by Laliberté over the past four years, including some advances to him, the company said. Not all of the transactions were properly approved by the board, although they were recorded in the company's books.

A public-relations-company spokesman for Laliberté, Daniel Larouche, said the money was used mostly for legitimate business purposes of "all sorts" and for advances, but would not provide details.

"The transactions were done to expedite things," Larouche said. "They were not concealed."

Part of the Laliberté's difficulties arose as a result of "getting used to being a publically listed company," Larouche said.

Jitec also announced that Laliberté will pay back an additional $1.2 million over the next six months. This sum represents the value of inventory and other short-term assets Laliberté acquired from Jitec as part of a restructuring prior to going public.

Delisle said Laliberté, who owns 72 per cent of the Jitec's stock, will continue to play a role in the company "He has indicated that he can live with the new board and we hope to use him as a consultant," Delisle said.

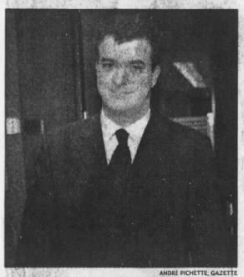
Larouche confirmed that Laliberté was satisfied with the new arrangement and would be "on call" as a technical consultant. "He knows the heart and soul of the technology and put it together, so it makes sense."

Jitec leases to small and medium-size companies its stripped-down computer terminals that are connected to powerful servers at centralized operation centres.

Delisle said he hopes the recent moves will free Jitec to rebuild its credibility. "We hope to secure our staff and customer base and get on with life," Delisle said.

At Jitec's request, trading in the company's stock was halted yesterday pending release of the company's announcements. Delisle said trading should resume Monday morning.

Last month, the Quebec Securities Commission prohibited Laliberté from trading in Jitec stock after discovering he had engaged in heavy trading through at least seven brokerage accounts to boost the company's share price. Laliberté has appealed that order.



ANDRÉ PICHETTE, GAZETTE

Benoit Laliberté pays back $865,000 the company requested and more is on the way.

Will The Hockey Co. be upended?

Caisse de Dépôt appears set to call in a loan of $136 million from beleaguered outfit

FRANÇOIS SHALOM
The Gazette

The Caisse de Dépôt et Placement du Québec appears set to call in a $135.8-million loan made to Montreal firm **The Hockey Co.**, the world's largest hockey-equipment manufacturer.

Documents filed with the U.S. Securities and Exchange Commission in Washington have raised red flags about the company's credit arrangements and financial results.

The latest document filed last week also shows that a one-year extension on loans and letters of additional credit worth up to $70 million U.S. from financing firm **General Electric Capital Corp.** has been refused. GECC's credit agreement with The Hockey Co. now expires in six weeks, on Jan. 31.

But in an interview from Manhattan, company senior vice-president and chief financial officer Russell David categorically rejected the claim of financial trouble, saying the company is renegotiating its credit arrangements as happens every day in the normal course of business, and is no cause for alarm.

INSIDERS CITE TURMOIL

Two knowledgeable insiders, however, said there's "a lot of turmoil at the company" and that there are "big layoffs coming" among its 1,700 employees – even raising doubts about the financial viability of the Hockey Co.

The firm results from the buyout by **SLM International Inc.** of **Sports Holding Corp.** two years ago.

That merger produced the world's largest maker of hockey equipment and apparel, everything from the famed CCM line of skates to the official team jerseys worn by National Hockey League players. The company also makes hockey sticks, in-line skates and a full line of protective gear under such recognized brand names as JOFA, KOHO, Titan, Canadien and Heaton.

David did admit that the company will have to restructure in some way and is "possibly looking at a headcount reduction."

"Or it could mean taking some products we now make domestically and take it overseas."

Other possibilities include "an equity participation or a merger with another company," David added without being more specific.

> **They "knew a few weeks ago that they had a problem. But the guys at the top were ignoring it."**

Their main hockey-skate and equipment competitor, Bauer, owned by giant **Nike Inc.**, has plants in Canada but also sources some of its products from Asia and Europe.

Suzanne Brochu, spokesman for the Caisse, would only confirm: "Yes, we have had dealings with this company and we do, indeed, have a loan outstanding with them."

She would not elaborate or say whether the pension-fund manager had called in its loan, saying it's a privately held firm.

GECC did not return calls.

The Hockey Co. is – mostly – a closely held company, controlled by New York's **Wellspring Associates**, which specializes in buying up near-bankrupt assets and turning them around before reselling, and by a syndicate of insurance companies.

Wellspring managing partner Greg Feldman also said the company is negotiating "a routine financing – and it's really not of anybody's business except ours."

The Hockey Co.'s filings are public in the U.S. because several hundred thousand warrants are still on the books, related to the company's earlier bankruptcy proceedings in 1995, just before Wellspring acquired control.

An SEC 8-K financial form issued last week disclosed that an Oct. 30 extension of 18 months for the $135.8-million loan from the Caisse was suddenly revoked three weeks later, replaced by a three-month extension instead, which is now due Feb. 19.

David said that the following sequence of events is the cause for that turn of events: The Hockey Co. did negotiate an 18-month extension on the loan. But in between Oct. 30 and Nov. 20, the date on which the 18-month extension was canceled, the firm decided to yank its IPO because of weak market conditions.

That decision automatically triggered the cancellation of the 18-month extension and also automatically reverted back to a three-month loan.

He said the company only decided between Oct. 30 and Nov. 20 – after the grant of an extension but before its revocation – that it would not proceed with its IPO.

But a person present at the Caisse deal two years ago said that the three-month extension simply means "we won't kill you today, but go find someone else."

"And GECC is a lender of last resort, when banks won't even look at you."

He related the following conflicting sequence: the company planned to do an IPO in the spring, but knew by the end of the summer that the public markets had turned sour for such financing sources.

"(Top management) knew a few weeks ago internally that they had a problem with the Caisse and GECC. But the guys at the top were ignoring it."

CAISSE 'FLIPPED'

When the company published its third-quarter results right after the company's loan was extended, "the Caisse just flipped their lid."

"When they saw that, that was it."

David agreed that GECC is an "asset-based lender. But to go to a charter bank (for a loan) when the company was coming out of a Chapter 11 filing, well, they just don't do business that way. You have to go to someone who places value on good will and cash flow."

The Hockey Co. might yet wrangle an amended refinancing deal out of the Caisse, but "the bottom line is that they're in trouble" and would be on a much tighter and shorter leash.

A lot of senior executives were left in the dark about the entire matter and "stories are making the rounds at the company about how they forgot to tell people internally about this."

Four emergency meetings were called to devise a strategy, according to the source, but only one was actually held.

According to one account, David, when finally confronted about the crucial changes in financing arrangement, replied: "Oh yeah, I forgot."

Employees at Montreal head office were finally informed officially during a meeting on Monday that a restructuring was planned, almost surely involving layoffs.

Also unusual at Christmas time is the absence of Gerald Wasserman, The Hockey Co.'s hard-charging chairman, president and chief executive officer, who is reported to have been away at his California home for the last three weeks.

> **"You put it all together and it all adds up to a lot more competition for the (Hockey) company."**

Wasserman, who has always returned calls personally and promptly, did not return calls seeking comment

SEC documents show that the Caisse does have cause to worry about the latest financial results.

On Nov. 14, two weeks after its loan was extended, The Hockey Co. released its third-quarter and nine-month results, showing a sharp and steady deterioration in earnings and a slight drop in third-quarter revenues.

Operating losses grew from $895,000 U.S. for the first nine months of 1999 to $2.8 million in the three quarters of this year.

A modest $769,000 net profit for the nine months of 1999 turned into a net loss of $4.6 million this year.

Sales, all the while, grew 6 per cent between the two nine-month periods – but they dropped from the third quarter of 1999 to the latest quarter of 2000, from $69.9 million to $68 million.

Six days after these results were filed in Washington, the Caisse yanked the firm's 18-month credit extension.

Even the increase in sales, though, is the result not of the company's improved performance, but of the exit of some competitors from the jersey apparel market, the company said.

That has forced them to liquidate inventories, which in turn cut profit margins for everyone, including The Hockey Co.

Several external factors have also hampered the hockey firm's expansion and financial results.

Daniel Rousseau, co-owner of the **Rousseau Sports** retail mini-chain, said The Hockey Co. is facing increased competition from new players like **Easton** and **Mission**, a California manufacturer of skates prized by American kids.

And the hockey craze of a few years ago among American kids, even in the Deep South, has plateaused out rather than kept its blistering pace.

"If you also consider that many young people now opt for other sports like snowboarding and biking," said Rousseau, "you put it all together and it all adds up to a lot more competition for the (Hockey) company."

DAVE SIDAWAY, GAZETTE

The Hockey Co. CEO Gerald Wasserman, seen with gear he used as backup goalie with the Canadiens, is reported to have been away for three weeks.

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